

Pickford Township

BASIC FINANCIAL STATEMENTS

June 30, 2008

PICKFORD TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

JIM HILL

TOWNSHIP TREASURER

PEGGY McCONKY

TOWNSHIP CLERK

LINDA MILLER

TOWNSHIP TRUSTEE

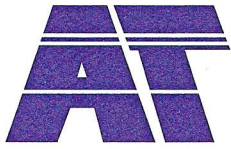
MERLIN GAYLER

TOWNSHIP TRUSTEE

KEVIN DECKER

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	10
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	11
Fiduciary Funds:	
Statement of Fiduciary Net Assets	12
NOTES TO FINANCIAL STATEMENTS	13
REQUIRED SUPPLEMENTARY INFORMATION:	
Major Funds:	
Budgetary Comparison Schedule – General Fund	22
Budgetary Comparison Schedule – Road Millage	23
Budgetary Comparison Schedule – EMS Millage	24
REPORTS ON COMPLIANCE:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Schedule of Findings and Responses	27



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Pickford
Pickford, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pickford, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pickford, Michigan as of June 30, 2008, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 6, 2008

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased .8% from a year ago decreasing from \$877,042 to \$870,031. In a condensed format, the table below shows a comparison of the net assets as of the current date.

In a condensed format, the table below shows the net assets of Pickford Township.

	Governmental Activities	
	2008	2007
Current Assets	\$ 323,353	\$ 349,514
Noncurrent Assets	<u>546,678</u>	<u>527,528</u>
Total Assets	<u>\$ 870,031</u>	<u>\$ 877,042</u>
Net Assets		
Invested in Capital Assets	\$ 546,678	\$ 527,528
Unrestricted (Deficit)	<u>323,353</u>	<u>349,514</u>
Total Net Assets	<u>\$ 870,031</u>	<u>\$ 877,042</u>

The current level of unrestricted net assets for our governmental activities stands at \$323,353, or about 56% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Program Revenues		
Charges for Services	\$ 116,039	\$ 99,759
General Revenues		
Property Taxes	272,611	267,322
State-Shared Revenues	116,354	96,037
Unrestricted Investment Earnings	9,273	3,423
Other Revenue	29,527	29,368
County O.E.S. Millage	<u>22,344</u>	<u>18,920</u>
Total Revenues	<u>566,148</u>	<u>514,829</u>
Program Expenses		
Legislative	5,831	8,742
General Government	176,847	163,665
Public Safety	55,318	49,383
Public Works	184,724	73,316
Health and Welfare	120,148	102,938
Other Expenses	<u>30,291</u>	<u>37,391</u>
Total Expenses	<u>573,159</u>	<u>435,435</u>
Changes in Net Assets	(7,011)	79,394
Net Assets – Beginning	<u>877,042</u>	<u>797,648</u>
Net Assets – Ending	<u>\$ 870,031</u>	<u>\$ 877,042</u>

Governmental Activities

The Township's total governmental revenues increased by approximately \$51,319, primarily due to the increase in accounts receivables from ambulance billings at year end.

Expenses, excluding depreciation increased because of more road projects in 2008. Depreciation increased from \$60,024 to \$78,636 primarily due to a new emergency vehicle being depreciated in fiscal 2008.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2008 include the General Fund, Road Fund and EMS Fund.

The General Fund pays for most of the Township's governmental services. The most significant are General Government and Health and Welfare, which incurred expenses of approximately \$244,842 in 2008. These services are largely supported by taxes, revenue sharing, and charges for services, which are recorded in the General fund. The Road and EMS funds record the receipts from the special millages, which are used to pay for capital outlays for Township roads and emergency equipment. Ambulance services were financed by charges for services of \$92,648. The remaining costs of General Government, Public Works, and EMS are funded by other general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Township departments overall stayed below budget, resulting in total expenditures \$96,799 below budget. This allowed the General Fund's fund balance to increase from \$141,213 a year ago to \$181,790 at June 30, 2008.

Capital Asset and Debt Administration

At the end of 2008, the Township had \$546,678 invested in a broad range of capital assets, including buildings, ambulance, and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Chippewa County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2009 calls for a freeze on property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. Also, reductions in State Revenue sharing continues to hurt the township.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Supervisor's office at: P.O. Box 456, Pickford, Michigan, 49774 or (906) 647-3361.

Basic Financial Statements

Pickford Township, Michigan**Statement of Net Assets
June 30, 2008**

	<u>Governmental Activities</u>
ASSETS:	
Current Assets	
Cash & Equivalents - Unrestricted	\$ 268,874
Accounts Receivable - Net	28,414
Prepaid Expenses	<u>26,065</u>
Total Current Assets	<u>323,353</u>
Noncurrent Assets	
Capital Assets (Not Depreciated)	23,400
Capital Assets (Net of Accumulated Depreciation)	<u>523,278</u>
Total Noncurrent Assets	<u>546,678</u>
TOTAL ASSETS	<u><u>\$ 870,031</u></u>
NET ASSETS:	
Invested in Capital Assets	\$ 546,678
Unrestricted	<u>323,353</u>
TOTAL NET ASSETS	<u><u>\$ 870,031</u></u>

Pickford Township, Michigan**Statement of Activities
For the Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues Charges for Services	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
Legislative	\$ 5,831	\$ -	\$ (5,831)
General Government	176,847	19,053	(157,794)
Public Safety	55,318	4,338	(50,980)
Public Works	184,724	-	(184,724)
Health & Welfare	120,148	92,648	(27,500)
Other Expenses	30,291	-	(30,291)
Total Governmental Activities	<u>\$ 573,159</u>	<u>\$ 116,039</u>	<u>(457,120)</u>
General Revenues:			
Taxes			272,611
State Revenue Sharing			116,354
County O.E.S. Millage			22,344
Other			29,527
Investment Earnings (Loss)			<u>9,273</u>
Total General Revenues and Transfers			<u>450,109</u>
Changes in Net Assets			(7,011)
Net Assets - Beginning			<u>877,042</u>
Net Assets - Ending			<u><u>\$ 870,031</u></u>

Pickford Township, Michigan

Balance Sheet Governmental Funds June 30, 2008

	General Fund	Road Fund	EMS Fund	Total
ASSETS				
Cash and equivalents	\$ 127,311	\$ 49,947	\$ 91,616	\$ 268,874
Accounts receivable - net	28,414	-	-	28,414
Prepaid expenses	26,065	-	-	26,065
TOTAL ASSETS	<u>\$ 181,790</u>	<u>\$ 49,947</u>	<u>\$ 91,616</u>	<u>\$ 323,353</u>
FUND EQUITY				
Fund balance:				
Unreserved:				
Undesignated	\$ 181,790	\$ 49,947	\$ 91,616	\$ 323,353
TOTAL FUND EQUITY	<u>\$ 181,790</u>	<u>\$ 49,947</u>	<u>\$ 91,616</u>	323,353

Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities are not financial resources and therefore not reported in the funds.	<u>546,678</u>
Net assets of governmental activities	<u>\$ 870,031</u>

Pickford Township, Michigan**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2008**

	General Fund	Road Fund	EMS Fund	Total
REVENUES:				
Taxes	\$ 86,953	\$ 123,310	\$ 62,348	\$ 272,611
State Sources	116,354	-	-	116,354
Charges for Services	116,039	-	-	116,039
Refunds & Reimbursements	26,061	-	-	26,061
Interest & Rentals	10,023	-	-	10,023
Local Sources	-	-	22,344	22,344
Other Revenue	2,716	-	-	2,716
TOTAL REVENUES	358,146	123,310	84,692	566,148
EXPENDITURES:				
Legislative	5,831	-	-	5,831
General Government	165,988	-	-	165,988
Public Safety	28,835	-	-	28,835
Health & Welfare	78,854	-	-	78,854
Public Works	9,699	175,025	-	184,724
Capital Outlay	-	-	99,715	99,715
Other Expenditures	28,362	-	-	28,362
TOTAL EXPENDITURES	317,569	175,025	99,715	592,309
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	40,577	(51,715)	(15,023)	(26,161)
FUND BALANCES, JULY 1	141,213	101,662	106,639	349,514
FUND BALANCES, JUNE 30	\$ 181,790	\$ 49,947	\$ 91,616	\$ 323,353

Pickford Township, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2008

Net Changes in fund balances – total governmental funds	\$ (26,161)
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The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount, by which capital outlays of \$97,786, exceeded depreciation expense of (\$78,636).

<u>19,150</u>

Changes in net assets of governmental funds	<u>\$ (7,011)</u>
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Pickford Township, Michigan

Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2008

	Agency		Total
	Tax Collection Fund	Pickford Utility Fund	
ASSETS:			
Cash and Equivalents	\$ 3,922	\$ 147,997	\$ 151,919
TOTAL ASSETS	<u>\$ 3,922</u>	<u>\$ 147,997</u>	<u>\$ 151,919</u>
LIABILITIES:			
Due to Others	\$ 3,922	\$ -	\$ 3,922
Undistributed Special Assessments	-	147,997	147,997
TOTAL LIABILITIES	<u>\$ 3,922</u>	<u>\$ 147,997</u>	<u>\$ 151,919</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Pickford Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

Pickford Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Pickford Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Pickford Township.

Separate Legal Entities:

Pickford Utility Authority – The Authority is considered to be a separate legal entity, with its own control structure and financial responsibility and, accordingly, is not included in the Basic Financial Statements of the Township.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Pickford Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Pickford Township as of the preceding December 31st.

Although the Pickford Township 2007 ad valorem tax is levied and collectible on December 1, 2007, it is the Pickford Township's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of Pickford Township totaled \$40,483,255, on which ad valorem taxes levied consisted of 1.6458 mills for the Township operating, 2.9925 mills for Roads, 1.4962 mills for E.M.S., raising \$66,627 for operating, \$121,146 Roads, and \$60,571 for E.M.S. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund

This fund accounts for activities that create and maintain roads within Pickford Township.

EMS Fund

This fund accounts for the millage revenue to support ambulance services and fire protection in the Township.

Additionally, the Township reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D - Assets, Liabilities, and Net Assets or Equity:**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Ambulance accounts receivable are recorded net of an allowance for doubtful accounts of \$15,983.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items.

Capital Assets – Capital assets, which include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Land Improvements	20 to 30 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each May, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Equivalents - Unrestricted	\$ 268,874	\$ 151,919

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking and savings accounts	\$ 218,874	\$ 104,568
Certificates of Deposit	<u>50,000</u>	<u>47,351</u>
Total	<u>\$ 268,874</u>	<u>\$ 151,919</u>

Investment and Deposit Risk

Interest Rate Risk. Through its investment policy, the Township manages its exposure risk to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio to one year or less.

Credit Risk. The Township's policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$99,809 of the Township's bank balance of \$419,954 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligations described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits and investment policy are in accordance with statutory authority.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 23,400	\$ -	\$ -	\$ 23,400
Subtotal	<u>23,400</u>	<u>-</u>	<u>-</u>	<u>23,400</u>
<i>Capital assets being depreciated:</i>				
Land improvements	13,450	-	-	13,450
Buildings	934,000	-	-	934,000
Machinery and equipment	<u>683,583</u>	<u>97,786</u>	<u>-</u>	<u>781,369</u>
Subtotal	<u>1,631,033</u>	<u>97,786</u>	<u>-</u>	<u>1,728,819</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(504)	(673)	-	(1,177)
Buildings	(692,700)	(6,950)	-	(699,650)
Machinery and equipment	<u>(433,701)</u>	<u>(71,013)</u>	<u>-</u>	<u>(504,714)</u>
Subtotal	<u>(1,126,905)</u>	<u>(78,636)</u>	<u>-</u>	<u>(1,205,541)</u>
Net Capital Assets Being Depreciated	<u>504,128</u>	<u>19,150</u>	<u>-</u>	<u>523,278</u>
Total Capital Assets - Net of Depreciation	<u>\$ 527,528</u>	<u>\$ 19,150</u>	<u>\$ -</u>	<u>\$ 546,678</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 10,859
Public Safety	26,483
Health and Welfare	<u>41,294</u>
Total Governmental Activities	<u>\$ 78,636</u>

NOTE 5 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 6 - CONTINGENT LIABILITIES

The Township has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at June 30, 2008.

Required Supplementary Information

Pickford Township, Michigan**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008**

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES				
Taxes	\$ 79,500	\$ 79,500	\$ 86,953	\$ 7,453
State sources	100,000	100,000	116,354	16,354
Charges for services	75,300	75,300	116,039	40,739
Refunds and reimbursements	25,000	25,000	26,061	1,061
Interest	4,600	4,600	10,023	5,423
Other revenue	2,000	2,000	2,716	716
TOTAL REVENUES	286,400	286,400	358,146	71,746
EXPENDITURES				
LEGISLATIVE				
Township board	7,325	7,325	5,831	1,494
GENERAL GOVERNMENT				
Supervisor	9,600	9,600	9,375	225
Assessor	23,800	23,800	19,924	3,876
Clerk	13,800	13,800	13,211	589
Board of review	1,450	1,450	728	722
Recreation board	300	300	75	225
Elections	3,150	3,150	2,885	265
Treasurer	17,560	17,560	14,318	3,242
Teen center	5,258	5,258	3,886	1,372
Cemetery	7,320	7,320	1,060	6,260
Planning and zoning	2,800	2,800	2,030	770
Buildings and grounds	85,857	85,657	79,398	6,259
Township park	22,366	22,366	19,098	3,268
Total General Government	193,261	193,061	165,988	27,073
PUBLIC SAFETY				
Fire protection	32,700	32,700	28,835	3,865
HEALTH AND WELFARE				
Ambulance	73,800	84,820	78,854	5,966
PUBLIC WORKS				
Highways and streets	20,000	20,000	4,592	15,408
Improvements	5,000	5,000	5,107	(107)
Total Public Works	25,000	25,000	9,699	15,301
OTHER EXPENDITURES				
Payroll taxes	30,800	30,800	26,141	4,659
Other expenditures	40,662	40,662	2,221	38,441
Total Other Expenditures	71,462	71,462	28,362	43,100
TOTAL EXPENDITURES	403,548	414,368	317,569	96,799
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (117,148)	\$ (127,968)	40,577	\$ 168,545
FUND BALANCE, JULY 1			141,213	
FUND BALANCE, JUNE 30			\$ 181,790	

Pickford Township, Michigan

Budgetary Comparison Schedule Road Fund For the Year Ended June 30, 2008

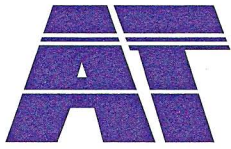
	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES				
Taxes	\$ 115,000	\$ 115,000	\$ 123,310	\$ 8,310
EXPENDITURES				
Public Works	216,662	216,662	175,025	41,637
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (101,662)</u>	<u>\$ (101,662)</u>	(51,715)	<u>\$ 49,947</u>
FUND BALANCE, JULY 1			<u>101,662</u>	
FUND BALANCE, JUNE 30			<u>\$ 49,947</u>	

Pickford Township, Michigan

Budgetary Comparison Schedule EMS Fund For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES				
Taxes	\$ 57,000	\$ 57,000	\$ 62,348	\$ 5,348
Local Sources	10,000	10,000	22,344	12,344
TOTAL REVENUES	<u>67,000</u>	<u>67,000</u>	<u>84,692</u>	<u>17,692</u>
EXPENDITURES				
Capital Outlay	<u>161,510</u>	<u>161,510</u>	<u>99,715</u>	<u>61,795</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (94,510)</u>	<u>\$ (94,510)</u>	(15,023)	<u>\$ 79,487</u>
FUND BALANCE, JULY 1			<u>106,639</u>	
FUND BALANCE, JUNE 30			<u>\$ 91,616</u>	

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Township of Pickford
Pickford, Michigan 49774

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pickford, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Pickford, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiency described as 08-1, in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Pickford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township of Pickford, Michigan in a separate letter dated August 6, 2008.

Township of Pickford, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 6, 2008

SIGNIFICANT DEFICIENCIES

Inability of Management to Prepare the Financial Statements in Accordance with Generally Accepted Accounting Principles

Finding 08-1

Specific Requirement: Establishment and maintenance of internal control over the financial reporting process as defined by Statement on Auditing Standards Number 112.

Criteria: Internal controls should be in place to provide reasonable assurance to the Township that management reports financial statements necessary to monitor and report annual financial activity in accordance with GASB Statement 34 without auditor intervention.

Condition: Personnel responsible for financial reporting are not monitoring and reporting interim or annual financial activity in accordance with GASB Statement 34 without auditor intervention.

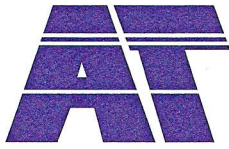
Effect: The effect of this condition places a reliance on the independent auditor to part of the Township's internal controls over financial reporting.

Cause: Change in application of auditing standards.

Recommendation: The Township should review and implement the necessary education and procedural activities to monitor and report annual financial activity in accordance with generally accepted accounting principles for Governmental Units.

Planned Corrective Action: As a result of limited funding, the Township does not have resources to fund this process.

- Contact Person(s) Responsible for Correction:
Jim Hill, Township, Supervisor



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Trustees
Township of Pickford
Pickford, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pickford, Michigan for the year ended June 30, 2008, and have issued our report thereon dated August 6, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 31, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Township of Pickford. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Pickford's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 31, 2008.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Pickford, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 6, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

Personal Property Taxes (Prior Year)

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The Township should maintain subsidiary ledgers, which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Disbursements

When testing disbursements, it was noted that the total carried to the general ledger for the month did not match the total of disbursements during the month coded to that account. We recommend that care be taken to code individual disbursements correctly and carry them into the general ledger accordingly.

Payroll

When testing payroll, it was noted that one employee did not have social security and Medicare deducted from ambulance wages. We recommend that care be taken to deduct the proper amounts from all wages.

We also noted that the majority of employee personnel files did not contain a Michigan New Hire Form or a current W-4 Employee's Withholding Allowance Certificate. Four personnel files did not have a federal W-4 Form. Six employee personnel files had an incomplete Form I-9, Employment Eligibility Verification or no Form I-9, Employment Eligibility Verification. We recommend that these forms be completed and current W-4 Employee's Withholding Allowance Certificate, Michigan New Hire Form, and Form I-9, Employment Eligibility Verification be retained in each personnel file.

It was also noted that one paycheck cleared the bank prior to the date of the check. We recommend that employee checks not be given out until the date of the check, which should coincide, with the appropriate pay date.

Receipts

It was noted that there was no supporting documentation for one receipt. We recommend that documentation be maintained for each receipt.

In addition, an ambulance receipt was recorded incorrectly on one section of the receipt, which was then carried over to the receipts ledger. We recommend that care be taken to record the proper amount on the receipt and ledger.

Conclusion

This information is intended solely for the use of the Board of Trustees and management of the Township of Pickford and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 6, 2008